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IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. 417

A.B.T. MANUFACTURING CORPORATION,
Petitioner,

vs.

NATIONAL REJECTORS, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT AND BRIEF IN SUPPORT.

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NATIONAL REJECTORS, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Your petitioner, A.B.T. Manufacturing Corporation, respectfully prays for a writ of certiorari to the Court of Appeals for the Seventh Circuit to review the judgment entered by that court on October 10, 1950.

The transcript of the record in the case, including the proceedings in said Court of Appeals, is furnished forthwith in accordance with Rule 38 of the Rules of this Court. The decision of the Court of Appeals appears in the record at page 269.* The opinion of the trial court appears in the record at page 125.

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*Such decision also appears in advance sheets of the United States Patent Quarterly, Vol. 87, No. 4, p. 116.

SUMMARY AND SHORT STATEMENT.

1. Respondent, a Missouri corporation, by its petition (R. 26) filed June 10, 1949, sought judicial sanction of respondent's cancellation of the patent license (R. 140) granted to petitioner by respondent, an accounting for royalties due prior to such cancellation, an accounting for general damages resulting from the claimed infringement subsequent to the cancellation of the license, and for an injunction restraining infringement of claim 1 of the licensed reissue patent 21,301 in suit (R. 184).

2. Petitioner, an Illinois corporation, by its answer (R. 31, 38) denied that the respondent was entitled to the relief prayed for. In such answer the petitioner pleaded (R. 40) that the court should not sanction respondent's cancellation of the license. This upon the grounds that while the petitioner in good faith believed and claimed that the devices which it is manufacturing did not come within the license, petitioner was ready and able to pay royalties on such devices should they be adjudicated as coming within the scope of such license.

3. The trial court by its judgment (R. 157) granted respondent the relief prayed for. Such judgment was affirmed by the Court of Appeals for the Seventh Circuit (R. 276).

4. The license referred to above was entered into December 7, 1939 as a settlement of the litigation instituted July 11, 1939 by respondent's complaint (R. 2) charging petitioner with infringement of respondent's patent 2,094,788 (R. 176).

5. By the terms of such license, respondent granted to petitioner, in consideration of a royalty, the right to

manufacture rejectors under its patent 2,094,788. By such license, petitioner in turn granted to respondent a royalty-free license under its patent, charged by petitioner in its answer (R. 17) to respondent's 1939 complaint (R. 2) to be infringed by respondent.

6. The license provided that:

> "IX. If either party hereto shall fail to perform any of its obligations herein prescribed, then the aggrieved party shall have the right to terminate this agreement in so far as it affects the defaulted party, upon giving to the defaulting party ninety days' written notice to that effect; however, if the defaulting party makes good the breach within said ninety days, then this agreement shall continue as though no default had taken place." (R. 142.)

7. The litigation initiated by respondent's 1939 complaint (R. 2) was terminated on December 7, 1939, by the entry by the trial court below of a consent decree (R. 23), stating an agreement of the parties with respect to the validity and infringement of respondent's patent 2,094,788 and petitioner's patent 2,159,117.

8. After the filing of respondent's 1939 complaint and prior to the entry of such consent decree, and without the knowledge of the petitioner and the trial court, respondent surrendered to the Commissioner of Patents its patent 2,094,788 with an application (Def. Ex. 10) for a reissue of such patent.

9. In such reissue application, in addition to reproducing the specification, drawings, and claims of Patent 2,094,788, the patentees unsuccessfully sought additional claims which were not limited, as were the original patent claims, to a "means for successively operating" a scavenger plate and wiper blade.

10. The reissue patent (R. 184) which issued on December 19, 1939, by its specification discloses and claims a slug

rejector* having a scavenger plate carrying a coin track, a magnet for arresting slugs on the track, and means for successively operating the plate and a wiper blade, to move the track from beneath the arrested slug before the blade is moved to wipe such slug from the magnet.

11. Petitioner's first knowledge of the issuance of such reissue patent was as a result of respondent's letter of January 6, 1940 (R. 43), asking petitioner to interpret the granting clause (R. 141)** of the license as extending to the subsequently issued reissue patent. This the petitioner did (R. 43). No corresponding change or modification was made with respect to the consent decree.

12. Prior to the license, petitioner manufactured the slug rejectors charged by respondent's 1939 complaint to infringe original claim 1 of Patent 2,094,788. Such rejectors included a means for *simultaneously* operating a scavenger plate and wiper blade. This resulted in the movement of the plate and blade not only *simultaneously* with respect to each other but also *simultaneously* with respect to an arrested slug.

13. Under the license and until petitioner's business was interrupted by World War II restrictions, petitioner manufactured and paid royalties on rejectors, which, unlike the rejectors charged by respondent's 1939 complaint to infringe original claim 1 of Patent 2,094,788, embodied a means for *successively* operating a scavenger plate and wiper blade. This resulted in the coin track being moved from beneath the arrested slug before movement was im-

*A slug rejector is a device used in coin-controlled machines and its principal function is to segregate genuine coins from spurious coins and tokens.

**"III. National hereby by this agreement grants unto A. B. T. a non-exclusive license and right to manufacture, sell and use coin selectors embodying the patentable features shown, described and claimed in the National Patent No. 2,094,788, the said license to be for the full term of the said National patent."

parted to the wiper blade to wipe such slug from the magnet.

14. After the lifting of war restrictions, and with respondent's knowledge (R. 45), petitioner engaged in the manufacture and sale of the rejectors on which respondent by its letter of September 24, 1947 demanded the payment of royalties. Such rejectors embodied the scavenger plate and wiper blade operating means embodied in petitioner's rejectors charged by respondent's 1939 complaint to infringe patent 2,094,788.

15. Petitioner did not pay royalties on rejectors manufactured by it after the lifting of war restrictions. This because petitioner believed and claimed that the patentees by their reissue oath* and their acquiescence** in the rejection of claims not limited to rejectors having means for *successively* operating the scavenger plate and wiper blade were estopped from claiming, as respondent did in 1939 with respect to infringement of claim 1 of the original patent 2,094,788, that rejectors embodying a means for *simultaneously*, instead of *successively*, operating a scavenger plate and wiper blade were within the scope of reissue claim 1.

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*In their oath filed as a part of the application for the reissue patent in suit, the patentees averred:

"In all of the claims of said patent, limitations are included whereby a certain movable plate and a certain movable blade *must be operated by certain means successively*. The invention may be constructed and embodied in such manner that *such successive operation* is not necessary, and to this extent the specification is defective or insufficient in failing to claim the invention in terms *not limited to such successive operation*. Claims 6, 7 and 8 of this reissue application, as presented herewith, *are not limited to such successive operation*." (Emphasis briefwriter's.)

**By reissue application claims 6 and 7, the patentees unsuccessfully sought to obtain claims, which unlike original claim 1, were not limited to devices having means for successively operating a scavenger plate and a wiper blade.

16. The trial court below concluded, and the Court of Appeals in this case affirmed, that as the result* of the operation of the plate and blade of petitioner's rejectors manufactured after the lifting of war restrictions, was the same as that of petitioner's rejectors made by it before the issuance of the reissue patent and charged by respondent's 1939 complaint to infringe original claim 1 of patent 2,094,788, petitioner was estopped by the 1939 consent decree (R. 23) to claim that such rejectors manufactured by it after the lifting of war restrictions did not infringe reissue claim 1, the Court of Appeals saying (R. 272):

> "Inasmuch as original claim 1 with its original limitations has been preserved in the reissue patent without change, no estoppel can grow out of the reissue in so far as this claim is concerned. In this situation it seems perfectly obvious that defendant is fully bound by the doctrine of *res adjudicata* as to all parts of the original judgment, which included a finding that claim 1 of the original patent, which is the same claim now before us, was valid and infringed. And this defendant recognized by its consent to the judgment, by taking a license to manufacture and by its later agreement that the license applied to the reissue patent. Being the same claim of the same patentee which has been adjudged, as between the parties, valid and infringed, the District Court properly decided that defendant is fully bound under the doctrine of *res adjudicata*."

17. Having received no royalties on such rejectors, respondent by its letter of September 9, 1948 (R. 45) declared petitioner in default of the license. In such letter

* The trial court held, and the Court of Appeals in this case affirmed, that the petitioner's rejectors responded to the "means for successively operating a movable plate and a movable blade" of the combination of reissue claim 1, because the result of the operation of the scavenger plate and wiper blade of petitioner's rejectors was the movement of the track carried by the plate from beneath the arrested slug before the blade contacted the slug to eject it from arrested position.

respondent informed petitioner that unless such default was cured within ninety days from the date of the letter, the license would terminate. For reasons above stated, petitioner did not pay the demanded royalties. Thereupon respondent filed its petition (R. 26) in the trial court below. In such petition it sought, among other things, a judicial sanction of the cancellation of the license.

18. Petitioner in its answer to such petition (R. 40) pleaded that the court should not sanction respondent's cancellation of the license where, as here, the petitioner in good faith believes and claims that the devices which it is manufacturing do not come within the scope of the license and petitioner offered in its answer to pay royalties on such devices in the event they be adjudicated as coming within the license.

19. With respect to this contention of the defendant and in giving judicial sanction to respondent's cancellation of the license, the Court of Appeals in its opinion (R. 275) said:

> "However, the circumstances of the case are not such to persuade us that the court below erred in declining to approve this contention of defendant. Throughout the extended interval during which plaintiff claimed defendant was infringing defendant of course might have made known its position by filing a suit for declaratory judgment and depositing in open court a conditional tender of royalties on all devices claimed to infringe to await determination of the court as to whether they did infringe. It knew that plaintiff was insisting that it was infringing and had given 90 days notice of termination. It took no steps to protect itself. Furthermore, the court did not forfeit the license; plaintiff did so, as it had a right to do under the plain reading of the contract of the parties. If defendant in good faith desired to have the license contract continued it could have, within the 90 days or even within six months there-

after, taken proper steps to protect itself, as we have indicated. We conclude that the District Court correctly disposed of the issue."

20. The reissue patent in suit dominates an entire industry. Petitioner is the sole competitor of respondent in the manufacture and sale of slug rejectors throughout the United States. Respondent has granted no licenses under the patent other than the one granted to petitioner.

JURISDICTION.

1. The decision of the Court of Appeals for the Seventh Circuit was rendered October 10, 1950 (R. 269).

2. A petition for rehearing was denied by the Court of Appeals on November 9, 1950 (R. 277).

3. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. Sec. 347) and Section 5(b) of Rule 38 of this court.

4. Cases believed to sustain the jurisdiction are:

Rule 38, Section 5(b) reading: "Where a circuit court of appeals has rendered a decision in conflict with the decision of another circuit court of appeals on the same matter; or has decided an important question of local law in a way probably in conflict with applicable local decisions; or has decided an important question of federal law which has not been, but should be, settled by this court; or has decided a federal question in a way probably in conflict with applicable decisions of this court; or has so far departed from the accepted and usual course of judicial proceedings, or so far sanctioned such a departure by a lower court, as to call for an exercise of this court's power of supervision."

Duplate Corp. & Pittsburgh Plate Glass Co. v. *Triplex Safety Glass Co. of North America,* 298 U. S. 448.

Sheldon v. *Metro-Goldwyn Pictures Corp.,* 309 U. S. 390.

Bacardi v. *Domenech Treasurer,* 311 U. S. 150.

United Carbon Co. v. *Binney & Smith Co.,* 317 U. S. 228.

Williams Manufacturing Co. v. *United Shoe Mfg. Co.*, 316 U. S. 364.

Jacob Siegel Co. v. *Federal Trade Commissioner*, 327 U. S. 608.

Magnum v. *Coty*, 265 U. S. 597.

Aktieselskabet Cuzca v. *The Sucarseco*, 294 U. S. 394 at 399.

Baldwin v. *Iowa State Traveling Men's Association*, 283 U. S. 522.

Schriber-Schroth Co. v. *Cleveland Trust Co.*, 305 U. S. 47.

Exhibit Supply Co. v. *Ace Patents Corp.*, 315 U. S. 126.

Muncie Gear Works v. *Outboard Marine Mfg. Co.*, 315 U. S. 759.

QUESTIONS PRESENTED.

1. Where the licensee under a patent, claims that devices it is manufacturing do not come within the scope of the license and for that reason has paid no royalties on such devices, must such licensee to show good faith and to protect itself against cancellation of the license by the licensor

(1) file a suit for declaratory judgment to determine whether or not such devices come within the scope of the license and

(2) also deposit in open court royalties on such devices pending the disposition of such suit?

2. Should a court sanction a licensor's cancellation of a patent license for failure to pay royalties where the licensee, with the licensor's knowledge, claims that devices which it is manufacturing do not come within the scope of the license and in its answer to the licensor's petition for judicial cancellation of the license, offers to pay royalties on such devices, should contrary to the licensee's claim, such devices be adjudicated within the license?

3. Where by a consent decree the parties acknowledge the validity and infringement of only an original patent, is the issue of validity and infringement of a subsequently issued reissue of such original patent, in which the specification, drawing, and claims of the original patent are reproduced, *res adjudicata* as between the parties by reason of such consent decree?

4. Did the Court of Appeals in this case, in holding that because the result of the operation of petitioner's devices was the same as that of the device of reissue claim 1, apply the proper test of infringement?

REASONS RELIED UPON FOR ALLOWANCE OF THIS PETITION.

Your petitioner contends that a writ of certiorari should be allowed by this Court because:

1. By its decision in this case the Court of Appeals has laid down an important rule of law of first impression respecting the rights of a licensee under a patent in its claim that devices which it is manufacturing and selling do not come within the license; a rule of law which is far-reaching in its effect because it affects without exception every holder of a patent license.

2. The Court of Appeals in this case has laid down a rule of law of first impression, in holding that a licensee who claims that devices which it is manufacturing and selling do not come within the scope of the license and for that reason has paid no royalties on such devices, must, in order to show good faith and to protect itself against cancellation of the license by the licensor,

(1) file a suit for declaratory judgment to determine whether such devices come within the license, and

(2) tender into court royalties on such devices pending such suit.

3. Because of the novelty and the far-reaching effect of such question, it is of paramount importance that this Court approve or disapprove such new and heretofore unheard of rule. Such question will constantly arise in patent litigation. This Court should therefore pass upon such question now and thereby establish an acceptable rule of law to be followed by all Federal courts.

4. The question whether the validity and infringement of a reissue patent is *res adjudicata* between the parties by virtue of a consent decree entered into prior to the issuance of the reissue patent and stating an agreement with respect to the validity and infringement of only the original patent, is an important question of first impression, it having never been passed upon by this or any other Court.

5. It is of paramount importance to every member of the public dealing with patents that this Court approve or disapprove the radical departure by the Court of Appeals in this case from the heretofore established rule that the scope of a consent decree must be determined from the decree itself and that such decree cannot be modified without the mutual consent of the parties.

6. The reissue patent in suit dominates an entire industry. The question whether the validity and infringement of such patent is *res adjudicata* between the parties by virtue of a consent decree entered into prior to the issuance of such reissue patent and stating an agreement with respect to the validity and infringement of only the original patent, is one of great importance. This by reason of the fact that such question affects without exception every party who consents to the validity and infringement of an original patent. Such question will constantly arise in patent cases. This Court should therefore pass upon such question and thereby establish an acceptable rule of law to be followed by all Federal courts.

7. The Court of Appeals in this case by its decision in holding petitioner's devices infringement of reissue claim 1, has applied a test of infringement which is contrary to the decisions of this Court and Courts of Appeals of other circuits.

WHEREFORE, it is respectfully submitted that this petition for writ of certiorari to the Court of Appeals for the Seventh Circuit should be granted.

Respectfully submitted,

A. B. T. MANUFACTURING CORPORATION,
Petitioner,

.....

By CLARENCE E. THREEDY,
Its Attorney.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950.

No. .....

A.B.T. MANUFACTURING CORPORATION,
Petitioner,

vs.

NATIONAL REJECTORS, INC.,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

The decision of the Court of Appeals for the Seventh Circuit now sought to be reviewed was entered October 10, 1950 (R. 269).

Jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. Sec. 347) and Sec. 5(b) of Rule 38 of this Court.

STATEMENT OF THE CASE.

To avoid repetition, reference is hereby made to the statement on pages 2 to 8, *supra*, of the Petition for Writ of Certiorari.

SPECIFICATION.

The following are the alleged errors of the Court of Appeals for the Seventh Circuit which will be urged before this Court:

1. The Court of Appeals erred in sustaining the finding and conclusion of the trial court sanctioning and declaring the license agreement cancelled by respondent's letter of September 9, 1948.

2. The Court of Appeals erred in affirming the finding and conclusion of the trial court that the issues of validity and infringement of the claims of a reissue patent are *res adjudicata* by virtue of a prior consent decree stating an agreement with respect to the validity and infringement of the claims of only the original patent.

3. The Court of Appeals erred in finding that defendant's accused devices infringe reissue claim 1.

ARGUMENT.

Point I.

Respondent by its patent dominates an entire industry. Petitioner is the sole competitor of respondent in the manufacture and sale of slug rejectors throughout the United States. No license other than the one granted to petitioner has been granted by respondent under such dominating patent.

By its letter of September 9, 1948 (R. 45) respondent declared petitioner in default of its license (R. 140) be-

cause of petitioner's failure to pay to respondent royalties on devices manufactured by petitioner since the lifting of war restrictions. In such letter respondent informed petitioner that unless petitioner within ninety days from the date of the letter cured the default by paying the demanded royalties, the license would terminate. Because petitioner believed and, with respondent's knowledge (R. 45) approximately three years prior to the date of such letter, claimed that such devices did not come within the scope of the patent license, petitioner did not pay the demanded royalties.

The Court of Appeals, upon respondent's petition filed one year after the date of such letter, gave judicial sanction (R. 275) to respondent's cancellation of the patent license. This notwithstanding that petitioner by its answer (R. 40) to respondent's petition offered to pay the demanded royalties should, contrary to petitioner's claim in the above respects, it be adjudicated that such devices were within the license (see Par. XIX of petitioner's Answer, appearing in footnote below*).

By its decision the Court of Appeals in this case has given judicial sanction to a license under a patent dominating an entire industry. It has laid down an important rule of law of first impression respecting the rights of a licensee under a patent in its claim that devices which it is manufacturing and selling do not come within the license.

To petitioner's knowledge, the Court of Appeals in this

*XIX. Defendant in further answer to plaintiff's petition herein states that while it has refused to pay to plaintiff royalties on slug rejectors made and sold by defendant since on or about May 1945 because such slug rejectors do not infringe the claims of the reissue patent No. 21,301, particularly claim 1 thereof, should it be finally judicially determined, contrary to defendant's position aforesaid, that such slug rejectors do in fact infringe claim 1 of the said reissue patent, defendant stands ready and is able to and will promptly pay unto the plaintiff royalties on each of said slug rejectors at the rate of royalty, to-wit, three cents (3c) per slug rejector, provided for in Paragraph IV of the hereinbefore referred to license agreement.

case has for the first time in the history of the law with respect to patent licenses, laid down a rule of law requiring a licensee

> (1) to file a suit for declaratory judgment to determine whether or not devices which it is making and selling come within the license and
>
> (2) to deposit in open court pending such suit a conditional tender of royalties on all of such devices

in order to show good faith in the licensee's claim that such devices do not come within the license and to protect itself against cancellation of the license. Such a rule of law is therefore one of first impression. Such fact constitutes a special and important reason why this Court should take jurisdiction under the general reserve of discretion indicated in Rule 38(5) of the Supreme Court Rules.

In *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U. S. 390 (decided March 1940), certiorari was granted by this Court

> "in view of the importance of the question, which appears to be one of first impression in the application of the copyright law."

See also *Bacardi Corp.* v. *Domenech Treasurer,* 311 U. S. 150 (decided December 9, 1940; *United Carbon Co.* v. *Binney & Smith Co.,* 317 U. S. 228 (decided December 7, 1942); *Williams Manufacturing Co.* v. *United Shoe Mfg. Co.,* 316 U. S. 364; *Jacob Siegel Co.* v. *Federal Trade Commissioner,* 327 U. S. 608 (decided March 25, 1946).

Furthermore, the question whether a court should give judicial sanction to a licensor's cancellation of a license under the above circumstance, is one of great importance to every holder of a patent license. It is a question that will constantly arise in future patent license cases. It affects without exception every licensee of a patent license.

Furthermore, the decision of the Court of Appeals is not only incompatible with the established authorities that courts do not favor forfeiture,* but also has the effect of securing for the licensor royalties on devices not covered by the patent monopoly. This by reason of the fact that a licensee may possibly elect to pay royalties on such devices rather than comply with the rule announced by the Court of Appeals in this case, by filing a petition for declaratory judgment to determine whether or not such devices come within the scope of such license and by making conditional tender of royalties pending determination of such suit. This Court on numerous occasions has declared that a patent monopoly cannot be extended beyond the scope of the patent grant. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661.

As the new, novel and important questions presented by this petition do not affect alone the parties to this litigation, and as such questions will frequently arise in future patent litigation, this Court should pass upon such questions and thereby establish a uniform rule of law applicable to such questions and thereby furnish a guide for Federal courts when confronted with such questions.

In *Duplate Corp. & Pittsburgh Plate Glass Co.* v. *Triplex Safety Glass Co. of North America*, 298 U. S. 448 (decided May 18, 1936), the Court granted certiorari

> "to settle important questions as to the liability of infringers."

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*In *Standard Dental Mfg. Co.* v. *National Tooth Co.* (C. C. E. D. Penna.), 95 F. 291 @ 294, the court said:

> "Forfeitures are not favored in equity, and the best considered decisions hold that even licenses containing express stipulations for their forfeiture are not, *ipso facto*, forfeited upon condition broken, but remain operative and pleadable until rescinded by a court of equity. 2 Rob. Pat. Sec. 822; *White* v. *Lee*, 3 F. 222; *Adams* v. *Meyers*, 7 F. 208; *Baker Mfg. Co.* v. *Washburn & Moen Mfg. Co.*, 18 F. 172; *Purifier Co.* v. *Wolf*, 28 F. 814."

See to the same effect, *Hartell* v. *Tilghman*, 99 U. S. 547 @ 556.

notwithstanding the absence of conflict of decisions in different circuits.

In *Aktieselskabet Cuzca* v. *The Sucarseco,* 294 U. S. 394 at 399, notwithstanding a lack of conflict of decisions, a writ of certiorari was granted because of the novelty and the importance of the question presented which had not been decided by this Court. In that case, this Court said:

> "Because of the importance of the question which has not been decided by this court, a writ of certiorari was granted."

If the novelty and importance of the question in the cases referred to above, influenced this Court in granting certiorari, it must with stronger reasons influence this Court in the case at bar because of the character and hereinbefore stated attendant effect of the opinion of the Court of Appeals of the Seventh Circuit.

Petitioner is not soliciting, nor is it necessary that there be, a retrial of the facts as are pertinent with respect to the important question of first impression here presented. Should this Court disapprove, as petitioner believes it will, the aforesaid new and novel and harmful rule of law laid down by the Court of Appeals, respondent would be entitled only to an accounting for royalties. Such royalties, as before stated, the petitioner stands ready and is able to pay to respondent. Respondent would not be entitled to a cancellation of the license nor to an accounting for damages for infringement nor to an injunction restraining infringement.

Upon the foregoing premises and in view of the undisputed fact that the respondent by its patent dominates an entire industry, this Court is warranted in exercising its discretionary power of granting the writ of certiorari hereinbefore prayed for.

Point II.

The Court of Appeals in holding that the validity and infringement of a reissue patent are *res adjudicata* between the parties, by virtue of a consent decree entered into prior to the issuance of the reissue patent* and stating an agreement with respect to the validity and infringement of only the original patent**, has decided a question which is of great importance to the manufacturing public, particularly those dealing with patents. Such a rule is incompatible with the established rule of general law that the scope of a consent decree must be determined by the decree itself and that such decree cannot be modified in any respects without the mutual consent of the parties to such consent decree.

In *People* v. *Spring Lake District*, 253 Ill. Supp. 479, the Court said:

> "A consent decree is one based upon the consent or agreement of the parties, which may supersede both pleadings and evidence and even go to the extent of pointing out and limiting the relief to be granted. Such a decree is absolutely conclusive upon the consenting parties and cannot be amended or varied without like consent, nor can it be reheard, appealed from, or reviewed upon writ of error."

In *City of Des Moines* v. *Des Moines Water Co.*, 218 F. 939 at 943, D. C. Iowa (affirmed 230 F. 570), the Court said:

> "This order and everything in it was entered by consent. In such cases, in the absence of fraud or

*At the time of entry of the consent decree in this case, neither the trial court nor the petitioner had knowledge that respondent had made application for the reissue patent.

**Upon application for reissue patent, the original patent is surrendered to the Commissioner of Patents (see Rule 178 of the Rules of Practice of the United States Patent Office).

> mistake, it cannot be modified or varied in any essential part without the consent of the parties to the same."

The consent judgment (decree) is an agreement between the parties to the litigation. The learned author Freeman on Judgments (Sec. 1352, p. 2776, 5th Ed.), writes that a court has no more authority to modify a consent judgment than it would have to modify any other contract between the parties.

In *Steingruber et al.* v. *Johnson et al.*, 35 F. S. 622 at 663 (D. C. Tenn.), the Court said that it

> "* * * is of the opinion that a consent judgment cannot be amended, modified or corrected in any essential particular except with the consent of all the parties. If the court should in any way change, amend, or alter the terms of a consent decree, it would cease to be the agreement of the parties and would no longer be a consent decree."

The question whether a consent decree stating an agreement between the parties with respect to the validity and infringement of only an original patent is *res adjudicata* between the parties as to the validity and infringement of a subsequently issued reissue patent, is one of first impression and of great importance. Neither this nor any other Court has ever passed upon such question.

The decision of the Court of Appeals herein is the first in the history of patent law, to petitioner's knowledge, to extend a consent decree stating an agreement with respect to the validity and infringement of only an original patent, to encompass a reissue of such original patent upon the theory that such consent decree extends to such reissue patent because the specification, drawings and claims

of the original patent were reproduced in the reissue patent.*

The question is of great importance because it affects without exception every consent decree in which the validity and infringement of only an original patent has been or may be acknowledged.

The radical departure by the Court of Appeals from the established rule of law that a consent decree cannot be modified without the mutual consent of the parties, coupled with the fact that the novel question presented is one of first impression and of great importance to the public, particularly those dealing with patents, justifies this Court in exercising its discretionary power of granting a writ of certiorari.

In *Baldwin* v. *Iowa State Traveling Men's Association,* Case No. 445, decided May 18, 1931, 283 U. S. 522, this Court reviewed the novel question concerning the application of *res adjudicata* on the question of jurisdiction over the person of the defendant in the court which entered the judgment.

In *Sheldon* v. *Metro-Goldwyn Pictures Corp.,* 309 U. S. 390 (decided March 1940), certiorari was granted by this Court

> "in view of the importance of the question, which appears to be one of first impression in the application of the copyright law."

See also *Bacardi Corp.* v. *Domenech Treasurer,* 311 U. S. 150 (decided December 9, 1940); *United Carbon Co.* v. *Binney & Smith Co.,* 317 U. S. 228 (decided December 7, 1942);

*The original patent and the reissue patent are two different patents. The original patent and the reissue patent have different file wrappers. The validity and infringement of the claims of the reissue patent involve for determination questions not involved in the determination of the validity and infringement of the original claims. *Frink Co., Inc.* v. *Erikson,* 20 F. 2d 707 at 712 (C. A. 1).

Williams Manufacturing Co. v. *United Shoe Manufacturing Co.*, 316 U. S. 364; *Jacob Siegel Co.* v. *Federal Trade Commissioner*, 327 U. S. 608 (decided March 25, 1946).

Point III.

The Courts below held petitioner's rejectors to infringe reissue claim 1 because the result* of the operation of petitioner's rejectors was the same as that of the device of reissue claim 1. It failed to consider the structural differences between such devices. In so doing, it is petitioner's belief that the Courts below having predicated infringement upon a mere showing of results, have departed from the established test of infringement as laid down in *Sanitary Refrigerator Co.* v. *Winters*, 280 U. S. 30; *Machine Co.* v. *Murphy*, 97 U. S. 120 at 121; *Stoehrer & Platt Corporation* v. *Lusse Bros.*, 7 F. 2d 87 at 88 (C. A. 3); *Anakin Lock Works* v. *Dillon Lock Works*, 292 F. 45 (C. A. 8); *Craft Tint Mfg. Co.* v. *Baker*, 94 F. 2d 369 (C. A. 9); *Ruth* v. *Climax Molybdemum Co.*, 93 F. 2d 699 (C. A. 10).

The Court of Appeals by its decision in this case has held a patent which dominates an entire industry, as being infringed because of the mere fact that the accused device accomplishes the same result as that accomplished by the claimed device. As petitioner is respondent's sole competitor in the manufacture and sale of slug rejectors, a conflict of decisions of Courts of Appeals of different circuits, is improbable. (See affidavit of William Patzer appearing in the Appendix hereof.) In such a situation, it is highly improbable that this Court would ever have the op-

*The trial court held, and the Court of Appeals in this case affirmed, that the petitioner's rejectors responded to the "means for successively operating a movable plate and a movable blade" of the combination of reissue claim 1, because the result of the operation of the scavenger plate and wiper blade of petitioner's rejectors was the movement of the track carried by the plate from beneath the arrested slug before the blade contacted the slug to eject it from arrested position.

portunity to resolve conflicting decisions of Courts of Appeals of different circuits. In view of such situation and the great importance of the questions presented, this Court under the authorities of *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, 305 U. S. 47; *Exhibit Supply Co.* v. *Ace Patents Corp.*, 315 U. S. 126 at 136; *Muncie Gear Works* v. *Outboard Marine Mfg. Co.*, 315 U. S. 759,* is fully justified in granting the writ of certiorari as prayed for.

WHEREFORE, your petitioner prays that its petition be granted, that the writ of certiorari be issued and the case reviewed, and the judgment of the Court of Appeals reversed.

Respectfully submitted,

A.B.T. MANUFACTURING CORPORATION,
Petitioner,

By CLARENCE E. THREEDY,
Its Attorney.

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*In the *Muncie* case, *supra*, this Court said:
"While there was no conflict of decision with respect to these claims, we granted certiorari in view of the question presented and because the patent dominates a substantial portion of an industry so concentrated in the Seventh Circuit that litigation in other circuits, resulting in a conflict of decisions, is unlikely." (citing *Schriber-Schroth Co.* v. *Cleveland Trust Co.*, *supra*).

APPENDIX.

AFFIDAVIT OF WILLIAM PATZER.

STATE OF ILLINOIS, }
COUNTY OF COOK. } ss.

I, William Patzer, being duly sworn, depose and say that I am of legal age, a resident and citizen of the City and State aforesaid and president of the petitioner company, A.B.T. Manufacturing Corporation; that I am now and have been for a period of more than twenty years, engaged and associated with the manufacture of slug rejectors for use by the vending machine industry; to the best of my knowledge and belief the respondent has granted no licenses under the patent in suit, No. Re-21,301, other than the license granted to petitioner; that petitioner is the sole competitor of respondent in the manufacture and sale of slug rejectors of the type involved in this litigation.

Further affiant sayeth not.

WILLIAM PATZER.

SUBSCRIBED AND SWORN to before me this ..... day of November, 1950.

.....

Notary Public.